

Challenges for insurers in India

This case let highlights the challenges faced by the insurance industry in India is the case of the insurance company, Sahara India Life Insurance (SILIC).

In 2016, the Insurance Regulatory and Development Authority of India (IRDAI) cancelled SILIC's license and barred the company from selling new policies, citing various regulatory violations. The challenges faced by SILIC are representative of some of the challenges faced by the insurance industry in India.

Some of the challenges that SILIC faced include:

1. **Mis-selling:** The IRDAI found that SILIC had engaged in mis-selling of policies by inducing customers to invest in their schemes with unrealistic return expectations. This is a common challenge faced by many insurance companies in India, as the lack of awareness among customers about insurance products can lead to mis-selling.
2. **Inadequate capital:** The IRDAI found that SILIC had inadequate capital and that the company's financial position was not sound. This highlights the challenge faced by many insurance companies in India, especially newer and smaller players, in terms of raising adequate capital to support their operations.
3. **Poor underwriting practices:** The IRDAI found that SILIC had poor underwriting practices and had issued policies without adequate risk assessment. This is a significant challenge faced by many insurers in India due to the lack of reliable data and information for assessing risk accurately.
4. **Regulatory compliance:** The IRDAI found that SILIC had violated various regulatory provisions, including those related to product design, pricing, and distribution. This highlights the challenge faced by insurers in India in terms of complying with a complex and ever-changing regulatory environment.

Overall, the challenges faced by SILIC highlight the importance of maintaining high standards of customer service, complying with regulatory requirements, and adopting sound risk management practices. Insurance companies in India need to address these challenges to build and maintain the trust of their customers and ensure the long-term sustainability of their operations.